

MEMORANDUM

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May 5, 2011

Dr. George Diehr  
Chair, Investment Committee  
California Public Employees' Retirement System  
400 Q Street  
Sacramento, CA 95814

**RE: REAL ASSETS DELEGATED AUTHORITY**

Dear Dr. Diehr:

As Infrastructure Consultant to the Board, Meketa Investment Group was asked to provide an opinion on the proposed consolidation of the Real Estate, Infrastructure, and Forestland delegations into a single Real Assets delegation. This proposal would bring the delegation in line with the new Real Assets policy.

Meketa Investment Group recommends the adoption of the proposed changes. It should be noted that changes to the Infrastructure Program are administrative in nature. In particular, the proposed changes are limited to an increase in dollar caps of the Annual Delegation Limit by a factor of 1.33, which would accommodate the increase in target allocation for the program from 1.5% to 2.0%. This increase in the target allocation was included in the Statement of Investment Policy for Asset Allocation that was approved by the Policy Subcommittee in April 2011.

The proposal also seeks to bring the role of consultants in line with the proposed new Private Asset Class Board Consultant Roles, which have been presented to the Policy Subcommittee. Specifically, Staff is recommending that (1) a prudent person opinion be provided by the Program Pool Consultant for transactions over \$50 million completed under Delegated Authority; and (2) the Board Consultant document that transactions completed under Delegated Authority comply with the Policy and Delegation of Authority.

These requirements should, respectively, provide the Board and Staff with additional resources for the evaluation of potential transactions and associated risks, and greater oversight of the use of delegated authority.

Please do not hesitate to contact us with any additional questions or comments.

Sincerely,

David Altshuler  
Senior Vice President

Stephen P. McCourt  
Managing Principal

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